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REPORT TO THE CONGRESS



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Examination Of Financial Statements
Government Printing Office
Fiscal Year 1972

B-114829

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

AUG. 1. 1973

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D. C. 20540

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the examination of the financial statements of the Government Printing Office for the fiscal year ended June 30, 1972.

We made our examination pursuant to the Legislative-Judiciary Appropriation Act, 1954 (44 U.S.C. 309).

We are sending copies of this report to the Director, Office of Management and Budget; to the Joint Committee on Printing; and to the Public Printer.

James P. Stacks

Comptroller General
of the United States

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ABBREVIATIONS

| | |
|-----|----------------------------|
| GAO | General Accounting Office |
| GPO | Government Printing Office |

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EXAMINATION OF FINANCIAL STATEMENTS
GOVERNMENT PRINTING OFFICE
FISCAL YEAR 1972 B-114829

D I G E S T

WHY THE EXAMINATION WAS MADE

The Comptroller General is required by law to audit annually the activities of the Government Printing Office (GPO).

OPINION ON FINANCIAL STATEMENTS

GAO cannot express an opinion on the accompanying financial statements of GPO taken as a whole; however, the individual amounts shown in the statements--with the exception of the accounts discussed below--are fairly stated as of June 30, 1972, and for the fiscal year then ended, in conformity with principles and standards of accounting prescribed for executive agencies by the Comptroller General applied on a basis consistent with that of the preceding year--except for the change which GAO recommended in eliminating advance billings, uncollected as of the end of the fiscal year.

Because of the following reasons, GAO was unable to verify the June 30, 1972, balances of publications for sale; paper, envelopes, and other supplies inventories; accounts payable; Government accounts receivable; and the portions of the income and expense statements affected by these accounts.

1. A complete physical count had not been taken of the publications

for sale and paper and envelopes inventories during the designated inventory cycle. At June 30, 1972, the publications for sale and paper inventories were valued at \$7.3 million and \$4.9 million, respectively. (See pp. 6 and 7.)

2. Test counts of paper inventory could not be reconciled with the inventory records. (See p. 7.)
3. The materials and supplies inventory of \$2.8 million at June 30, 1972, included a significant number of items which could not be identified or located. The GPO internal audit staff determined that the June 30, 1972, inventory included \$211,827 worth of unidentifiable items, or about 7 percent of the total inventory. The internal audit staff was unable to establish that any of these items existed. (See pp. 7 and 8.)
4. Accounts payable and the corresponding expense--purchases of printing--were overstated at June 30, 1972, because the ending accounts payable balance of about \$19.1 million for printing services purchased included bills which had been paid before year-end. A test of 202 accounts payable items totaling \$137,486 revealed that 46 items totaling \$49,968, or 36 percent of the sample, had been paid before June 30, 1972. GAO did not determine the total amount of the

overstatement due to the large number of bills making up accounts payable and the time required to determine whether they had been paid. (See pp. 8 and 9.)

5. The overstatement of accounts payable for printing services purchased also resulted in a corresponding overstatement of accounts receivable--Government, and income--printing and binding services performed for Government agencies and the Congress. (See p. 8.)

OTHER MATTERS OF INTEREST

GPO is responsible for furnishing printing and binding work ordered by the Congress, executive departments, and independent agencies of the Federal Government. In addition, GPO prints and sells agency documents of general interest to the public. GPO's gross income for fiscal year 1972 totaled about \$303.7 million, of which about \$241.9 million was derived from printing and binding services performed for Government agencies and the Congress.

RECOMMENDATIONS

This report contains no recommendations.

AGENCY ACTIONS AND UNRESOLVED ISSUES

GAO made several suggestions in its draft report to the Public Printer

for correction of weaknesses in the accounts and control procedures.

GAO also made suggestions to correct those matters which affected GAO's opinion on the fiscal year 1972 financial statements. The Public Printer, in responding to the draft report, outlined the actions taken and planned to correct these matters.

GPO is making physical counts of publications and paper and envelopes inventories to comply with the designated inventory cycle. In addition, inventory teams have been assigned to count all materials and supplies. These counts should be completed by June 30, 1973. All unidentified items will be located or removed from the accounting records. GPO officials said they have determined why the unidentifiable items were included in the inventory and they are taking appropriate corrective action. (See pp. 6 to 8.)

GPO has assigned a staff to review the accounts payable items regularly and purge all previously paid bills. This action should result in a proper presentation of the accounts payable and accounts receivable items. GPO is considering the use of computer edit procedures which would identify questionable payable items. (See pp. 8 and 9.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report, required by law, informs the Congress of GPO's operations and financial condition.

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CHAPTER 1

INTRODUCTION

The Government Printing Office (GPO) is responsible for furnishing printing and binding work ordered by the Congress, executive departments, and independent agencies of the Federal Government. In addition, GPO prints documents of general interest for sale to the public.

The Public Printer, appointed by the President of the United States with the advice and consent of the Senate, is responsible for managing GPO. The Joint Committee on Printing, consisting of the Chairman and two members of the Senate Committee on Rules and Administration and the Chairman and two members of the House Committee on House Administration, acts as the board of directors of GPO.

The Superintendent of Documents, appointed by the Public Printer, directs the Public Documents Department which sells Government publications to the general public. These sales are accomplished through orders mailed to GPO and through the operation of distribution centers in Philadelphia, Pennsylvania, and Pueblo, Colorado, and 18 bookstores throughout the United States. The Public Documents Department prepares official catalogs and indexes, distributes publications to depository libraries, and mails certain publications for other Federal departments and agencies.

FINANCING OF GPO ACTIVITIES

GPO activities are financed by a revolving fund which is reimbursed by customers for whom printing services have been provided. The Congress provides annual appropriations for congressional printing and binding work and for the activities of the Superintendent of Documents.

Activities financed through revolving fund

The revolving fund provides temporary financing for the printing and binding of publications ordered by Government agencies and the Congress. The fund is reimbursed for this work by payment from the agencies or by charges against the appropriation for congressional printing and binding.

Revenues and costs pertaining to the operations of the Superintendent of Documents are also accounted for in the revolving fund. The prices of publications included in the Superintendent's sales program are established pursuant to

the United States Code (44 U.S.C. 1708), which provides that prices be based on cost as determined by the Public Printer, plus 50 percent. Program receipts arise from publication sales to customers, appropriated funds used to finance program administration, and miscellaneous transactions. Periodically the excess of receipts over program costs are transferred from the revolving fund to miscellaneous receipts in the U.S. Treasury.

During fiscal year 1972 the revolving fund was reduced by payments of \$7.8 million to the Treasury. These payments consisted of \$5.7 million representing the balance of excess receipts for the fiscal year 1971 sales program and \$2.1 million in excess receipts for the fiscal year 1972 sales program. GPO has been transferring the excess receipts in part during the program year in which they are originated and in part during the program year which follows.

Appropriation for congressional printing and binding

The Congress annually appropriates funds to GPO for congressional printing and binding work. The appropriation also provides funds for printing and binding work for the Architect of the Capitol; for printing, binding, and distributing the Federal Register and the Code of Federal Regulations; and for printing and binding Government publications authorized by law to be distributed without charge. Appropriated funds are transferred to the revolving fund to reimburse it for the cost of printing and binding. The appropriation for fiscal year 1972 was \$38 million.

As shown in schedule 3, obligations outstanding at June 30, 1972, exceeded the unexpended balance of appropriations by \$21.8 million. This amount, required to complete unfinished printing and binding work authorized in prior years, is to be included in subsequent years' budget requests. This funding practice is consistent with that of prior years. Since fiscal year 1958, the appropriation acts for GPO have contained provisions permitting the appropriation for the year to be used for paying obligations incurred in preceding fiscal years.

Appropriation for activities of Superintendent of Documents

The Congress annually appropriates funds for the Superintendent of Documents to finance parts of the program for selling documents to the public and for non-revenue-producing activities, such as the depository library program and cataloging and indexing documents printed under GPO auspices.

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As shown in schedule 6, the Superintendent's appropriation, after a \$450,000 reimbursement adjustment, amounted to \$15.3 million, an increase of \$2.6 million over comparable funds available in the prior fiscal year. The increased funds were used primarily to pay the additional compensation required by a general pay raise and for establishing and operating the Philadelphia and Pueblo distribution centers and three bookstores.

In fiscal year 1973 the Congress appropriated an additional \$12.7 million--also reflected in schedule 6--as part of the Superintendent's appropriation. This appropriation was for a deficiency resulting from increased mailing costs for fiscal year 1972.

CHAPTER 2COMMENTS ON FINANCIAL STATEMENTSPUBLICATIONS FOR SALE INVENTORY

We could not verify the reliability of the balance of the publications for sale inventory of \$7.3 million at June 30, 1972. (See sch. 1.)

GPO procedures require that a perpetual inventory system be used to control the publications for sale inventory. This system is dependent on physically counting all publications at least once within each 18-month cycle. The last inventory cycle was January 1971 to June 1972.

The June 30, 1972, publications for sale inventory consisted of over 24,000 different types of publications. Over half the inventory was at the North Capitol Street warehouse in Washington, D.C. A complete physical count was not taken at this warehouse during the last 18-month inventory cycle. Because it was not practical to randomly select and physically count the number of publications required for an independent test, we could not verify the accuracy and reliability of the June 30, 1972, balance of publications inventory.

GPO officials concurred that a physical count is needed and that they have not complied with the inventory procedures due to a shortage of personnel. They informed us that physical counts of the publications are now being made in the North Capitol Street warehouse.

PAPER AND ENVELOPES INVENTORY

The \$7,731,491 balance at June 30, 1972, for paper, envelopes, and other supplies, as shown in schedule 1, consisted of \$1,888,680 for paper and envelopes and \$2,842,811 for other materials and supplies. Approximately \$391,087 of the paper inventory was at the GPO field offices.

We were unable to verify the actual value of the paper and envelopes inventory because no complete physical count had been taken and our test counts of paper on hand would not reconcile with GPO records.

The paper inventory accountability is controlled by a perpetual inventory system which consists of a perpetual record kept for each paper property at each location. A paper property represents an individual size and type of paper. When paper is received or issued or the paper is physically counted, required adjustments are made to the perpetual record.

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As with the publications for sale inventory, the perpetual system is dependent on physically counting all paper properties at least once every 18 months so that inventory records can be adjusted. During the inventory cycle June 30, 1970, to December 31, 1971, about 311 paper properties had not been counted. Furthermore, as of August 28, 1972, 78 of these paper properties and 384 additional properties out of 1,167 properties on hand had not been counted for over 18 months.

We attempted to verify the inventory records by physically counting several paper properties and comparing the results with the perpetual records. A test of 15 paper properties valued at approximately \$100,000 showed significant variances between our physical counts and the perpetual records. For example, we counted 143,400 sheets of one property while the perpetual record showed 67,950 sheets, an average of 75,450 sheets. For properties included in our test, the net overage was about 48 percent, or \$47,000.

GPO officials said they had been unable to comply with the physical inventory procedures because of a shortage of personnel. They said they are trying to comply with the physical inventory procedures and that all paper properties will be counted by June 30, 1973. Monthly progress reports are now being prepared to report the status of the 18-month inventory cycle. In addition, GPO is planning to automate the inventory system to improve the accuracy and reliability of the paper inventory records.

MATERIALS AND SUPPLIES INVENTORY

We could not verify the reliability of the materials and supplies inventory of \$2.8 million at June 30, 1972, because it included a significant number of items classified "no description available," which could not be identified or located. The GPO internal audit staff determined that the June 30, 1972, material and supplies inventory included \$211,827 worth of unidentifiable items, or about 7 percent of the total inventory. The internal audit staff was unable to establish the physical existence of any of these items.

GPO officials stated that most of these items resulted from a faulty computer program which eliminated from the inventory record the description portion of the stock item when the stock was issued but failed to remove the entire item.

According to GPO, inventory teams have been assigned to count all materials and supplies. The physical inventories should be completed by June 30, 1973, and all unidentified items should be identified or removed from the accounting records.

GPO officials said the faulty computer program which made most of the items unidentifiable has been replaced. In addition, other minor inventory problems have been identified and appropriate corrective action is being taken.

ACCOUNTS PAYABLE ARE NOT
FAIRLY STATED

We found that accounts payable and the corresponding expenses--purchases of printing--were overstated at June 30, 1972, because accounts payable contained numerous bills which had been paid before yearend.

According to GPO records, about \$19.1 million, or 51 percent, of the accounts payable balance in the revolving fund at June 30, 1972 (see sch. 1), was for printing services purchased. The yearend accounts payable balance and related expenses for printing services purchased are determined by an accrued expenditures report. GPO internal auditors reviewed 202 items totaling \$137,486 from the accrued expenditures report and found that 46 items totaling \$49,968, or 36 percent of the sample, had been paid before June 30, 1972. These items should have been excluded from the yearend account balance.

We did not determine the total amount of the overstatement due to the large number of bills making up accounts payable and the time required to determine whether they had been paid. However, because of the large error rate found in the internal auditors' sample, we believe accounts payable for printing services published is not fairly stated.

GPO officials agreed that accounts payable is overstated at June 30, 1972. GPO assigned a staff to review the accrued expenditures report regularly and to purge it of all previously paid bills. GPO is considering the use of an edit procedure which would produce a computer listing of questionable transactions in the accrued expenditures report.

In responding to our draft report, the Public Printer said the overstatement of accounts payable would also result in an overstatement of accounts receivable--Government and income from printing and binding services performed for Government agencies and the Congress.

We agree that an overstatement of accounts payable for printing services purchased would have a corresponding effect on accounts receivable--Government and income. Because we could not determine the actual overstatement of accounts payable, we, likewise, could not determine the extent to which accounts receivable and income were overstated.

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The Public Printer's action to purge the accounts payable items should result in a proper presentation of the accounts payable and accounts receivable items.

BILLINGS FOR WORK NOT COMPLETED

The fiscal year 1972 financial statements furnished to us for audit improperly showed \$3.5 million in accounts receivable and deferred credits representing advance billings to customers which had not been collected at June 30, 1972. At our request, this \$3.5 million was eliminated from deferred credits and accounts receivable. An adjustment was not made for fiscal year 1971, although the same situation existed in the amount of \$1.9 million.

GPO officials informed us that the uncollected advanced billings should have been removed from the accounting records for statement purposes. They said the procedure was followed for fiscal year 1970 and prior fiscal years. However, due to an oversight, they failed to follow the procedure for fiscal years 1971 and 1972. The officials stated that action has been taken to insure that the procedure is followed in the future.

In responding to our draft report, the Public Printer solicited our comments on the propriety of GPO billing for work before completion. This matter will be explored during our fiscal year 1973 audit of GPO's financial statements.

OTHER MATTERS BROUGHT TO GPO'S ATTENTION

Value of paper inventory at field offices overstated

The GPO Accounting Principles and Standards Manual states that the basis for recording paper inventory will be a standard price which is a computed cost rate calculated by GPO. The paper inventory at the GPO field offices--valued at \$391,087--was overstated at June 30, 1972, by \$59,150 because it was recorded at selling price, the standard price plus handling charges. GPO recorded all other paper inventory at standard price. Therefore, the June 30, 1972, paper inventory was recorded partially at standard price and partially at selling price.

GPO officials agreed to record field offices' paper inventory at standard price for all subsequent financial statements.

Prior-year adjustment should be
included in current income statement

Normally, prior-period adjustments are recognized as current income or expense except those transactions or events occurring in a prior period, whose accounting effects could not be determined with reasonable assurance at the time of the event.

In schedule 2 the writeoff of material and supplies inventory to retained earnings should have been made to current costs. The income statement would then show a net income to the revolving fund of \$8,067,288 rather than \$8,379,514, as currently shown.

GPO officials said the writeoff was for inventory items which, based on their records, had probably been overstated for the past several years. Because of this, the decision was made to record the inventory writeoff as a prior-year adjustment. The Public Printer informed us, however, that similar adjustments will be recognized in the future as current-year transactions.

CHAPTER 3

SCOPE OF EXAMINATION

We reviewed GPO's statement of assets and liabilities as of June 30, 1972, related statements of income and expense, status of appropriations and other fund balances, payments from appropriations to the revolving fund, amounts due the Treasury from the sale of publications, and the statement of sources and application of funds for the year then ended. We made our examination in accordance with generally accepted auditing standards and included such tests of the accounting records and financial transactions and such other auditing procedures we considered necessary in view of the types and volume of the transactions and the effectiveness of the internal controls, including the internal audit functions.

During fiscal year 1972 GPO's Office of Audits issued 38 reports concerning various aspects of GPO operations. We relied to the extent possible on the work of the internal auditors in our review.

CHAPTER 4

OPINION ON FINANCIAL STATEMENTS

The financial statements accompanying this report were prepared by GPO with minor modification by us to improve their clarity. Certain expenses relating to GPO are not borne by it and are not required to be reported in its financial statements. These expenses, estimated to be about \$542,000, include the cost of space and utilities furnished GPO in buildings under the control of, or leased by, the General Services Administration and the cost of our annual audit.

Because of the following reasons, we were unable to verify the June 30, 1972, balances of publications for sale; paper, envelopes, and other supplies inventories; accounts payable; Government accounts receivable; and the portions of the income and expense statements affected by these accounts.

- A complete physical inventory had not been taken of the publications for sale and paper and envelopes inventories during the past 18 months, and we were unable to verify the perpetual inventory records by other auditing techniques. (See pp. 6 and 7.)
- The material and supplies inventory of June 30, 1972, contained a significant number of items which could not be located. (See pp. 7 and 8.)
- Accounts payable and the corresponding expenses--purchases of printing--were overstated because the June 30, 1972, accounts payable balance included bills which had been paid before yearend. This overstatement also resulted in a corresponding overstatement of accounts receivable--Government and income from printing and binding services performed. We were unable to determine the total overstatement because of the large number of bills in accounts payable and the time required to determine which bills had been paid. (See pp. 8 and 9.)

We cannot express an opinion on the accompanying financial statements of GPO taken as a whole; however, the individual amounts shown in the statements--with the exception of the accounts discussed above--are fairly stated as of June 30, 1972, and for the fiscal year then ended, in conformity with principles and standards of accounting prescribed for executive agencies by the Comptroller General applied on a basis consistent with that of the preceding year--except for the change which we recommended in eliminating advance billings which had not been collected as of the end of the fiscal year described on page 9 of this report.

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

AS OF JUNE 30, 1972

A S S E T S

| | Revolving fund | Other funds (note a) | Combined funds |
|---|----------------------|-------------------------|----------------------|
| FUND BALANCES WITH U.S. TREASURY AND CASH: | | | |
| Fund balances in U.S. Treasury (note b) | \$ 32,275,770 | \$ 5,716,940 | \$ 37,992,710 |
| Cash on hand and in transit | <u>995,068</u> | <u>-</u> | <u>995,068</u> |
| | 33,270,838 | 5,716,940 | 38,987,778 |
| ACCOUNTS RECEIVABLE AND ADVANCES: | | | |
| Accounts receivable: | | | |
| Government agencies (note c) | 94,475,114 | 220,234 | 94,695,348 |
| Other | <u>543,840</u> | <u>-</u> | <u>543,840</u> |
| Advances to employees | <u>3,170</u> | <u>-</u> | <u>3,170</u> |
| | 95,022,124 | 220,234 | 95,242,358 |
| INVENTORIES: | | | |
| Publications for sale at cost (note d) | 7,316,401 | - | 7,316,401 |
| Printing work in process, at standard cost | <u>20,694,870</u> | <u>-</u> | <u>20,694,870</u> |
| Paper, envelopes, and other supplies, at cost | <u>7,731,491</u> | <u>-</u> | <u>7,731,491</u> |
| | 35,742,762 | - | 35,742,762 |
| DEFERRED CHARGES | | | |
| | <u>20,531</u> | <u>-</u> | <u>20,531</u> |
| PROPERTY, PLANT, AND EQUIPMENT: | | | |
| Land and buildings, at cost | - | 9,085,173 | 9,085,173 |
| Equipment and building appurtenances | <u>33,435,241</u> | <u>1,113,661</u> | <u>34,548,902</u> |
| | 33,435,241 | 10,198,834 | 43,634,075 |
| Less allowance for depreciation | <u>25,719,731</u> | <u>7,407,236</u> | <u>33,126,967</u> |
| | 7,715,510 | 2,791,598 | 10,507,108 |
| Total assets | <u>\$171,771,765</u> | <u>\$ 8,728,772</u> | <u>\$180,500,537</u> |

^aOther funds consist of account balances of the printing and binding appropriation, Office of the Superintendent of Documents salaries and expenses appropriation, and the value of building structures and land which is specifically excluded from the GPO revolving fund by law (44 U.S.C. 309). The expenditures from the congressional printing and binding appropriation can only be used to reimburse the GPO revolving fund for work ordered by the Congress.

^bRevolving fund includes \$12,702,100 for fiscal year 1972 increased mailing costs appropriated by the Supplemental Appropriations Act of 1973 (Public Law 92-607 dated Oct. 31, 1972).

^cAccounts receivable--Government agencies revolving fund includes \$610,423 due from the Office of the Superintendent of Documents salaries and expenses appropriation.

^dPublications for sale, at cost after deduction of allowance for unsalable publications of \$1,064,356, and deduction for cost of unfilled cash orders received of \$890,762.

SCHEDULE 1

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LIABILITIES AND INVESTMENTS

| | Revolving fund | Other funds (note a) | Combined funds |
|---|----------------------|-------------------------|----------------------|
| LIABILITIES (note c): | | | |
| Accounts payable (notes f and g) | \$ 37,486,687 | \$1,008,352 | \$ 38,495,039 |
| Accrued salaries and wages | 1,846,168 | 196,584 | 2,042,752 |
| Amounts withheld from employees for purchase of savings bonds and payment of taxes | 1,608,042 | - | 1,608,042 |
| Employees' accrued annual leave | 4,578,469 | 324,405 | 4,902,874 |
| Customers' deposits and prepaid subscriptions | <u>4,126,174</u> | <u>-</u> | <u>4,126,174</u> |
| | 49,645,540 | 1,529,341 | 51,174,881 |
| INVESTMENT OF U.S. GOVERNMENT: | | | |
| Capital (note h) | 85,315,385 | - | 85,315,383 |
| Retained earnings (see sch. 2) (note i) | 30,662,436 | - | 30,662,436 |
| Appropriations and other fund balances | - | 7,199,431 | 7,199,431 |
| Income from sales of publications payable to Treasury (see sch. 5) | <u>6,148,406</u> | <u>-</u> | <u>6,148,406</u> |
| Total investment | <u>122,126,225</u> | <u>7,199,431</u> | <u>129,325,656</u> |
| Total liabilities and investment of U.S. Government | <u>\$171,771,765</u> | <u>\$8,728,772</u> | <u>\$180,500,537</u> |

^e Does not include a contingent liability for the value of compensatory time off in lieu of overtime pay earned and accumulated by GPO employees; does not include \$16,469,489 for the net value of sick leave earned and accumulated by GPO employees.

^f Accounts payable revolving fund includes liability of \$12,702,100 owed to U.S. Postal Service for increased mailing costs.

^g Accounts payable other funds consist of amount owed to the GPO revolving fund by the Office of the Superintendent of Documents salaries and expenses appropriations in the amount of \$1,008,352.

^h During fiscal year 1972, revolving fund capital increased \$3.5 million. This amount was appropriated under Public Law 92-51 to provide funds for improving the electrical and air-conditioning systems and building appurtenances.

ⁱ Retained earnings of \$6,534,920 have been reserved for the purchase of machinery and equipment.

GAO's opinion on these financial statements appears on page 12.

SCHEDULE 2

GOVERNMENT PRINTING OFFICE

REVOLVING FUND

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

FISCAL YEARS ENDED JUNE 30, 1972 AND 1971

| | <u>1972</u> | <u>1971</u> |
|---|----------------------|---------------------|
| INCOME: | | |
| Printing and binding services performed for Government agencies and the Congress | \$241,863,011 | \$202,011,292 |
| Document sales to the public (note a) | 22,908,415 | 21,689,090 |
| Deficiency appropriation for fiscal year 1972 increased mailing costs (see sch. 3) | 12,702,100 | - |
| Services associated with document sales: | | |
| Reimbursements by appropriations to the Superintendent of Documents (see sch. 3) | 9,078,521 | 7,874,974 |
| Services associated with depository libraries, cataloging and indexing, and distributions for other agencies: | | |
| Reimbursements by appropriations to the Superintendent of Documents (see sch. 4) | 6,169,750 | 4,703,696 |
| Blank paper sales: | | |
| Receipts from other Government agencies | 10,378,398 | 11,434,094 |
| Other | <u>572,628</u> | <u>553,295</u> |
| Total income | <u>303,672,823</u> | <u>248,266,441</u> |
| DIRECT COSTS. | | |
| Labor | 77,879,962 | 68,333,041 |
| Material | 24,910,592 | 28,022,541 |
| Purchases of printing | <u>129,819,778</u> | <u>98,035,350</u> |
| Total direct costs | <u>232,610,332</u> | <u>194,390,932</u> |
| GENERAL AND ADMINISTRATIVE COSTS (note b) | | |
| | <u>62,682,977</u> | <u>42,101,318</u> |
| Total costs | <u>295,293,309</u> | <u>236,492,250</u> |
| NET INCOME TO THE REVOLVING FUND | | |
| | 8,379,514 | 11,774,191 |
| Less amount payable to the U.S. Treasury (see sch. 5) | <u>8,240,076</u> | <u>9,706,421</u> |
| NET INCOME RETAINED BY THE REVOLVING FUND | <u>\$ 139,438</u> | <u>\$ 2,067,770</u> |
| CHANGE IN EARNINGS RETAINED BY THE REVOLVING FUND: | | |
| Balance July 1, 1971 | \$ 30,835,224 | |
| Add: | | |
| Net income retained by revolving fund | <u>139,438</u> | |
| | 30,974,662 | |
| Less: | | |
| Writeoff of material and supplies inventory | <u>312,226</u> | |
| Balance June 30, 1972 (see sch. 1) | <u>\$ 30,662,436</u> | |

^aDocument sales to the public for fiscal year 1972 includes unfilled cash orders received of \$2,939,809.

^bThe increased general and administrative costs are primarily due to increased mailing costs of the sales of publications operations of \$13,297,931 and increased personnel compensation and benefits costs of the printing and binding operations of \$4,069,329.

GAO's opinion on these financial statements appears on page 12.

SCHEDULE 3

GOVERNMENT PRINTING OFFICE

OTHER FUNDS

STATUS OF APPROPRIATIONS AND OTHER FUND BALANCES

AT JUNE 30, 1972

| | Appropriation for printing and binding for the Congress | Appropriation for the Superintendent of Documents | Other (note a) | Total |
|---|---|--|--------------------|---------------------|
| BALANCES AT JULY 1, 1971 | \$10,398,584 | \$ 255,402 | \$2,508,955 | \$13,162,941 |
| ADDITIONS: | | | | |
| Appropriations for fiscal year 1972 | 38,000,000 | 14,829,900 | - | 52,829,900 |
| Deficiency appropriation for fiscal year 1972 increased mailing costs (note b) (see sch. 5) | - | 12,702,100 | - | 12,702,100 |
| Reimbursements | - | 452,973 | - | 452,973 |
| Increase in investment in furniture and fixtures | - | - | 173,118 | 173,118 |
| Total | <u>48,398,584</u> | <u>28,240,375</u> | <u>2,682,075</u> | <u>79,321,032</u> |
| LESS: | | | | |
| Amounts paid to the revolving fund in payment for: | | | | |
| Congressional printing and bind- ing (see sch. 4) | 43,956,349 | - | - | 43,956,349 |
| Increased mailing costs (see sch. 4) | - | 12,702,100 | - | 12,702,100 |
| Sales distribution (see sch. 4) | - | 9,078,521 | - | 9,078,521 |
| Other expenses | - | 6,152,642 | - | 6,152,642 |
| Unobligated funds returned to U.S. Treasury | - | 17,108 | - | 17,108 |
| Depreciation on buildings and furni- ture and fixtures | - | - | 160,434 | 160,434 |
| Increase in liability for employees' annual leave, Superintendent of Documents | - | - | 54,447 | 54,447 |
| Total deductions | <u>43,956,349</u> | <u>27,950,371</u> | <u>214,881</u> | <u>72,121,601</u> |
| BALANCES AT JUNE 30, 1972 (see sch. 1) | <u>\$ 4,442,235</u> | <u>\$ 290,004</u> | <u>\$2,467,192</u> | <u>\$ 7,199,431</u> |
| APPROPRIATION UNOBLIGATED OR OVEROBLI- GATED(-): | | | | |
| Unexpended balance at June 30, 1972 (as above) | \$ 4,442,235 | \$ 290,004 | | |
| Less obligations outstanding | <u>26,280,526</u> | <u>290,004</u> | | |
| Overobligation (note c) | <u>-\$21,838,291</u> | <u>\$ -</u> | | |

^a Represents the book value of GPO, its central paper inventory warehouse and connecting tunnel, and the Superintendent of Documents furniture, machinery, and equipment less the Superintendent of Documents employees' accrued annual leave.

^b On August 21, 1972, GPO requested a deficiency appropriation of \$12,702,100 for the Office of the Superintendent of Documents salaries and expenses appropriation to cover the increased mailing costs. The Supplemental Appropriations Act, 1973 (Public Law 92-607, dated Oct. 31, 1972) appropriated \$12,702,100 for salaries and expenses for fiscal year 1972 to remain available until expended.

^c To be funded from subsequent years' appropriations.

GAO's opinion on these financial statements appears on page 12.

SCHEDULE 4

GOVERNMENT PRINTING OFFICE

OTHER FUNDS

STATEMENT OF PAYMENTS

FROM APPROPRIATIONS TO THE REVOLVING FUND

FISCAL YEARS ENDED JUNE 30, 1972 AND 1971

| | <u>1972</u> | <u>1971</u> |
|--|---------------------|---------------------|
| PAYMENTS FROM CONGRESSIONAL PRINTING AND BINDING APPROPRIATIONS TO REVOLVING FUND: | | |
| Congressional Record | \$ 9,049,647 | \$ 7,391,115 |
| Hearings | 9,666,202 | 7,852,068 |
| Miscellaneous printing and binding | 5,463,536 | 3,984,106 |
| Bills, resolutions, and amendments | 4,350,193 | 4,308,085 |
| Miscellaneous publications | 4,218,638 | 2,239,407 |
| Federal Register | 3,085,278 | 2,395,970 |
| Committee prints | 2,285,347 | 1,722,717 |
| House and Senate calendars | 1,253,776 | 1,223,935 |
| Documents | 1,154,881 | 1,072,053 |
| Supplements to the Code of Federal Regulations | 1,111,181 | 910,622 |
| Committee reports | 1,310,261 | 1,307,761 |
| Franked envelopes | 617,785 | 602,085 |
| Publications for international exchange | 358,987 | 309,525 |
| Document franks | <u>50,637</u> | <u>36,724</u> |
| Total (see sch. 3) | <u>\$43,956,349</u> | <u>\$35,356,173</u> |
| PAYMENTS FROM APPROPRIATIONS TO THE SU- PERINTENDENT OF DOCUMENTS TO THE REVOLV- ING FUND: | | |
| Sales distribution expense (see sch. 3) | \$ 9,078,521 | \$ 7,874,974 |
| 1972 increased mailing costs (see sch. 3) | 12,702,100 | - |
| Distribution for other agencies | 2,153,194 | 1,379,255 |
| Depository library distribution | 3,353,533 | 2,856,377 |
| Cataloging and indexing | <u>663,023</u> | <u>468,064</u> |
| Total (see sch. 3) | <u>\$27,950,371</u> | <u>\$12,578,670</u> |

GAO's opinion on these financial statements appears on page 12.

SCHEDULE 5

GOVERNMENT PRINTING OFFICE

REVOLVING FUND

AMOUNTS DUE U.S. TREASURY

FROM SALE OF PUBLICATIONS

FISCAL YEARS ENDED JUNE 30, 1972 AND 1971

| | <u>1972</u> | <u>1971</u> |
|---|---------------------|---------------------|
| INCOME: | | |
| Income from document sales to the public (note a) (see sch. 2) | \$22,908,415 | \$21,689,090 |
| Deficiency appropriation for fiscal year 1972 in- creased mailing costs (see sch. 3) | 12,702,100 | - |
| Reimbursements by appropriations to the Superin- tendent of Documents (see sch. 3) | 9,078,521 | 7,874,974 |
| Other income | <u>494,896</u> | <u>491,101</u> |
| Total income | <u>45,183,932</u> | <u>30,055,165</u> |
| COST OF PRINTING AND BINDING | | |
| | <u>9,848,741</u> | <u>8,874,117</u> |
| OTHER EXPENSES: | | |
| Salaries and expenses (see sch. 3) | 9,078,521 | 7,874,974 |
| Administrative | 2,960,052 | 1,841,042 |
| Mailing costs (note b) | <u>15,056,542</u> | <u>1,758,611</u> |
| Total other expenses | <u>27,095,115</u> | <u>11,474,627</u> |
| NET INCOME FROM SALES OF PUBLICATIONS PAYABLE TO THE TREASURY (note c) (see sch. 2) | | |
| | <u>\$ 8,240,076</u> | <u>\$ 9,706,421</u> |
| STATUS OF PAYMENTS DUE THE TREASURY: | | |
| Balance payable July 1, 1971 | \$ 5,706,421 | |
| Add net income from sales of publications for fiscal year 1972 payable to Treasury | <u>8,240,076</u> | |
| | 13,946,497 | |
| Less payments to the Treasury during fiscal year 1972 | <u>7,798,091</u> | |
| Balance payable June 30, 1972 (see sch. 1) | <u>\$ 6,148,406</u> | |

^aDocument sales to the public for fiscal year 1972 include sales value of un-
filled cash orders received of \$2,939,809.

^bIncludes \$12,702,100 for increased mailing costs for fiscal year 1972.

^cOn August 21, 1972, GPO requested a deficiency appropriation of \$12,702,100 for
the Office of the Superintendent of Documents salaries and expenses appropria-
tion to cover the increased mailing cost for fiscal year 1972. The Supple-
mental Appropriations Act, 1973 (Public Law 92-607, dated Oct. 31, 1972), ap-
propriated \$12,702,100 for salaries and expenses for the fiscal year 1972 to
remain available until expended. Without this deficiency appropriation, the
sale of publications operation would have resulted in a net loss of \$4,462,024
for the fiscal year ended June 30, 1972.

GAO's opinion on these financial statements appears on page 12.

SCHEDULE 6

BEST DOCUMENT AVAILABLE

GOVERNMENT PRINTING OFFICE

REVOLVING AND OTHER FUNDS

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FISCAL YEAR ENDED JUNE 30, 1972

| | | |
|---|--|--------------------|
| FUNDS WERE PROVIDED BY: | | |
| Printing and binding services performed (see sch. 2) | | \$241,861,011 |
| Document sales to the public (see sch. 2) | | 22,408,415 |
| Sales of paper (see sch. 2) | | 10,378,358 |
| Appropriations: | | |
| For congressional printing and binding | | 38,000,000 |
| For the revolving fund | | 3,500,000 |
| For the Superintendent of Documents: | | |
| \$14,829,900 plus reimbursements of \$452,973 | | 15,282,873 |
| Increased mailing costs (see sch. 2) | | 12,707,100 |
| Miscellaneous | | 627,041 |
| Total funds provided | | <u>345,261,838</u> |
| FUNDS WERE APPLIED TO: | | |
| Operating costs, less allowance for depreciation not requiring expenditure of funds | | 337,654,052 |
| Payments to the Treasury of income from publications sold (see sch. 5) | | 7,798,041 |
| Purchases of equipment | | 762,171 |
| Unobligated funds returned to the Treasury (see sch. 3) | | 17,108 |
| Total funds applied | | <u>346,231,472</u> |
| DECREASE IN WORKING CAPITAL | | <u>\$ 969,587</u> |

| | 1972 | 1971 | Increase or decrease (-) |
|---|----------------------|----------------------|--------------------------|
| ANALYSIS OF WORKING CAPITAL: | | | |
| Fund balances with the Treasury and cash | \$ 38,987,778 | \$ 49,647,396 | -\$ 10,659,618 |
| Accounts receivable and advances | 55,242,359 | 67,870,796 | 27,371,563 |
| Inventories (note a) | 35,742,762 | 32,143,067 | 3,599,695 |
| Deferred charges | <u>20,531</u> | <u>26,006</u> | -5,475 |
| | 169,993,430 | 149,687,265 | 20,306,165 |
| Less liabilities excluding employees' accrued annual leave, other funds | <u>50,850,476</u> | <u>29,573,724</u> | 21,275,752 |
| Total working capital | <u>\$119,142,954</u> | <u>\$120,112,541</u> | -\$ 969,587 |

^aFiscal year 1971 inventories include prior year's adjustment of \$312,726 for writeoff of material and supplies inventory.

GAO's opinion on these financial statements appears on page 12.

BEST DOCUMENT AVAILABLE

SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

1. GPO uses the straight-line method of depreciation for all depreciable assets. Rates of depreciation are based on useful life policies GPO established.
2. Publications for sale inventory are recorded at cost through a perpetual inventory system.
3. Printing work in process inventory is recorded at standard cost.
4. Paper inventory is recorded at a standard price which is a computed cost rate calculated by GPO. This inventory is maintained through a perpetual system.

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APPENDIXES

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BEST DOCUMENT AVAILABLE

APPENDIX I



OFFICE OF THE
PUBLIC PRINTER

UNITED STATES GOVERNMENT PRINTING OFFICE
WASHINGTON, D.C. 20401

April 27, 1973

Mr. H. L. Krieger
Regional Manager
U.S. General Accounting Office
Washington Regional Office
803 West Broad Street
Falls Church, Virginia 22046

Dear Mr. Krieger:

Thank you for giving us the opportunity to review your draft report to the Congress on the examination of GPO's financial statements for Fiscal Year 1972. My staff has reviewed the report in detail and I assure you that I am concerned about the points you raised and that my staff has taken appropriate corrective actions. Following are our comments on your findings and recommendations appearing on Pages 11 to 23 of the draft report.

[See GAO note.]

Eighteen-Month Physical Inventory
Cycle Should Be Followed

On Page 14 of the draft report, you state that the net overage for all paper properties tested was 48 percent. As the sample was small and the dollar value of the net adjustment was not compared to the total value of the inventory, we believe this statement should be further qualified to avoid giving the impression that the 48 percent overage applied to GPO's entire paper inventory. Progress reports are now being required on the status of the 18-month inventory cycle at least monthly. We are currently developing plans to automate our inventory system to improve the accuracy and reliability of our paper inventory records. As of April 5, 1973, we were on schedule with the current cycle in that about 90 percent of the paper properties had been counted at least once. The current cycle ends June 30, 1973 and all paper stocks will be counted by that date.

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APPENDIX I

[See GAO note.]

Paper, Envelopes, and Other Supplies Inventories

When paper is issued from the Central Office inventory or sold to other Government Agencies, handling charges are added to the cost to recover the administrative costs associated with buying and storing paper. While the handling charges are included in the inventory account, they amount to \$59,150 and not \$78,200 as indicated in your report. The difference is attributable to \$95,330 worth of paper which was purchased directly from paper contractors by the Field Printing Offices. As this paper was not transferred from the Central Office, it did not include handling charges. In the future, we will make the appropriate adjustments to exclude handling charges from our financial statements.

As mentioned in your draft report, the GPO Audit Staff pointed out that our inventory of materials and supplies included \$211,827 of unidentifiable items. We have designated inventory teams to count all materials and supplies items. We anticipate that the physical inventories will be completed by June 30, 1973 and that all unidentified items will be identified or removed from the accounting records.

[See GAO note.]

Accounts Payable Are Not Fairly Stated

As mentioned in your draft report, the GPO Audit Staff reviewed the Accounts Payable and found numerous transactions that should not have been included in the account. We have assigned staff to review our account's payable subsidiary records on a regular basis and to purge all previously paid bills. During Fiscal Year 1973, we established procedures for daily review of all accounts payable input to the computer. These improved procedures enabled us to reduce the error rate to about five percent, as of March 31, 1973. In addition, we are considering computerized edit procedures so that listings of questionable transactions can be generated automatically and then reviewed in detail. We believe these actions will eliminate significant overstatement of this account in the future.

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APPENDIX I

Deferred Credits - Advanced Billings Are Not
Consistent With the Prior Year's Statement

Occasionally, Government Agencies ask the Government Printing Office to submit an invoice before we complete the requested work. When this occurs, the Office records the amount of the invoice as a Deferred Credit. For statement purposes, our procedure requires that uncollected advance billings be removed from the accounting records. This procedure was followed for Fiscal Year 1970 and prior fiscal years. However, due to an oversight, we failed to follow the procedure for Fiscal Years 1971 and 1972. We have taken action to ensure that the procedure is followed in the future.

I would appreciate your comments and opinion on the propriety of GPO's billing for work prior to completion.

Prior Year Adjustment Should Be
Included in Current Income Statement

Your draft report stated that the write-off of materials and supplies inventories to Retained Earnings should have been made to current costs which would have shown a net loss to the Revolving Fund of \$172,788. Shortly after the inception of the Revolving Fund, the Government Printing Office established a policy to treat prior year adjustments as current year transactions. The adjustment referred to in your draft report was for cartons in the Binding Division Substore. Our records showed that the cartons could have been overstated to some extent for the past several years. Because of this, the decision was made to record the inventory write-off as a prior year adjustment. However, future adjustments will be recognized as current year transactions except as otherwise provided by generally accepted accounting principles.

Opinion on Financial Statements

On Pages 2 and 27 of your draft report, you state that accounts payable and corresponding expenses were overstated as of June 30, 1972 because the accounts payable balance included bills which had been paid prior to year end. Your draft report should also state that accounts receivable and income from printing and binding services performed were also overstated.

Sincerely,


T. F. McCormick
Public Printer

GAO note: Selected comments relate to matters which were presented in the draft report but which have been revised or omitted from the final report.

APPENDIX II

PRINCIPAL OFFICIALS OF GPO
 RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
 DISCUSSED IN THIS REPORT

| | Tenure of office | |
|--|------------------|-----------|
| | <u>From</u> | <u>To</u> |
| PUBLIC PRINTER: | | |
| Thomas F. McCormick | Mar. 1973 | Present |
| Harry J. Humphrey (acting) | Jan. 1972 | Feb. 1973 |
| DEPUTY PUBLIC PRINTER: | | |
| Leonard T. Golden (acting) | May 1972 | June 1973 |
| Harry J. Humphrey | Dec. 1970 | Apr. 1972 |
| ASSISTANT PUBLIC PRINTER (OP- ERATIONS): | | |
| William T. Meany (acting) | May 1972 | Present |
| Leonard T. Golden (acting) | Feb. 1972 | Apr. 1972 |
| ASSISTANT PUBLIC PRINTER (MANAGE- MENT AND ADMINISTRATION): | | |
| W. H. Lewis (acting) | Nov. 1971 | Present |
| COMPTROLLER: | | |
| Vacant | Feb. 1973 | Present |
| Herbert J. Thayer | July 1971 | Jan. 1973 |